1161-S2 AMH HURS TANG 047

**2SHB 1161** - H AMD **492**

By Representative Hurst

**NOT CONSIDERED**

Strike everything after the enacting clause and insert the following:

"NEW SECTION. **Sec.** The legislature finds that the adoption of Initiative Measure No. 1183 by the voters in 2011 privatized the wholesale and retail distribution of spirits in Washington. The legislature finds that the implementation of Initiative Measure No. 1183 has created some unresolved issues in the marketplace. Therefore, the legislature recognizes the need for: (1) More fairness in the market for licensees who were former contract liquor store managers or who purchased the rights to a former state liquor store at auction; and (2) phased-in uniformity in the market.

NEW SECTION. **Sec.** A new section is added to chapter 66.24 RCW to read as follows:

(1) Beginning on the effective date of this section, the license issuance fee under RCW 66.24.630(4) does not apply to a spirits retail licensee that was a former contract liquor store manager or who purchased the rights to a former state liquor store at auction with respect to sales of spirits in original containers from the location of its spirits retail licensed premises to retailers licensed to sell spirits for consumption on the premises for resale at their licensed premises.

(2) Beginning January 1, 2014, the license issuance fee under RCW 66.24.630(4) does not apply to any spirits retail licensee with respect to sales of spirits in original containers to retailers licensed to sell spirits for consumption on the premises for resale at their licensed premises.

(3) If no distributor license fee has been paid on sales from a spirits retail licensee to a retailer licensed to sell spirits for consumption on the premises for resale at their licensed premises, the spirits retail licensee must pay the distributor license fee to the board, for deposit into the liquor revolving fund.

(4) For the period preceding the effective date of subsection (2) of this section, the provisions contained in subsection (1) of this section shall apply to any successor, by purchase or otherwise, who obtains a spirits retail license for a business property derived directly from a former contract liquor store manager or from a purchaser of the rights to a former state liquor store at auction.

**Sec.** RCW 66.24.055 and 2012 c 2 s 105 (Initiative Measure No. 1183, approved November 8, 2011) are each amended to read as follows:

(1) There is a license for spirits distributors to (a) sell spirits purchased from manufacturers, distillers, or suppliers including, without limitation, licensed Washington distilleries, licensed spirits importers, other Washington spirits distributors, or suppliers of foreign spirits located outside of the United States, to spirits retailers including, without limitation, spirits retail licensees, special occasion license holders, interstate common carrier license holders, restaurant spirits retailer license holders, spirits, beer, and wine private club license holders, hotel license holders, sports entertainment facility license holders, and spirits, beer, and wine nightclub license holders, and to other spirits distributors; and (b) export the same from the state.

(2) By January 1, 2012, the board must issue spirits distributor licenses to all applicants who, upon December 8, 2011, have the right to purchase spirits from a spirits manufacturer, spirits distiller, or other spirits supplier for resale in the state, or are agents of such supplier authorized to sell to licensees in the state, unless the board determines that issuance of a license to such applicant is not in the public interest.

(3)(a) As limited by (b) of this subsection and subject to (c) of this subsection, each spirits distributor licensee must pay to the board for deposit into the liquor revolving fund, a license issuance fee calculated as follows:

(i) In each of the first ((~~two years~~)) twenty-seven months of licensure, ten percent of the total revenue from all the licensee's sales of spirits made during the ((~~year~~)) month for which the fee is due, respectively; and

(ii) In the ((~~third year~~)) twenty-eighth month of licensure and each ((~~year~~)) month thereafter, five percent of the total revenue from all the licensee's sales of spirits made during the ((~~year~~)) month for which the fee is due, respectively.

(b) The fee required under this subsection (3) is calculated only on sales of items which the licensee was the first spirits distributor in the state to have received:

(i) In the case of spirits manufactured in the state, from the distiller; or

(ii) In the case of spirits manufactured outside the state, from an authorized out‑of‑state supplier.

(c) By March 31, 2013, all persons holding spirits distributor licenses on or before March 31, 2013, must have paid collectively one hundred fifty million dollars or more in spirits distributor license fees. If the collective payment through March 31, 2013, totals less than one hundred fifty million dollars, the board must, according to rules adopted by the board for the purpose, collect by May 31, 2013, as additional spirits distributor license fees the difference between one hundred fifty million dollars and the actual receipts, allocated among persons holding spirits distributor licenses at any time on or before March 31, 2013, ratably according to their spirits sales made during calendar year 2012. Any amount by which such payments exceed one hundred fifty million dollars by March 31, 2013, must be credited to future license issuance fee obligations of spirits distributor licensees according to rules adopted by the board.

(d) A retail licensee selling for resale must pay a distributor license fee under the terms and conditions in this section on resales of spirits the licensee has purchased on which no other distributor license fee has been paid. The board must establish rules setting forth the frequency and timing of such payments and reporting of sales dollar volume by the licensee, with payments due quarterly in arrears.

(e) No spirits inventory may be subject to calculation of more than a single spirits distributor license issuance fee.

(4) In addition to the payment set forth in subsection (3) of this section, each spirits distributor licensee renewing its annual license must pay an annual license renewal fee of one thousand three hundred twenty dollars for each licensed location.

(5) There is no minimum facility size or capacity for spirits distributor licenses, and no limit on the number of such licenses issued to qualified applicants. License applicants must provide physical security of the product that is substantially as effective as the physical security of the distribution facilities currently operated by the board with respect to preventing pilferage. License issuances and renewals are subject to RCW 66.24.010 and the regulations promulgated thereunder, including without limitation rights of cities, towns, county legislative authorities, the public, churches, schools, and public institutions to object to or prevent issuance of local liquor licenses. However, existing distributor premises licensed to sell beer and/or wine are deemed to be premises "now licensed" under RCW 66.24.010(9)(a) for the purpose of processing applications for spirits distributor licenses.

NEW SECTION. **Sec.**  The changes made in section 3 of this act apply to spirits distributors licensed on or after January 1, 2012.

NEW SECTION. **Sec.** This act is necessary for the immediate preservation of the public peace, health, or safety, or support of the state government and its existing public institutions, and takes effect immediately."

Correct the title.

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|  | EFFECT:  (1) Provides that spirits distributors must pay the 10% license issuance fee for an additional three months of being licensed (a total of 27 months, rather than 24 months).  (2) Provides that the exemption from the 17% spirits retailer license issuance fee for former contract liquor stores and purchasers of former state liquor stores applies to any successor of a business derived directly from a former contract liquor store or purchaser of a former state liquor store. |

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